



**BEFORE THE  
PUBLIC SERVICE COMMISSION  
OF  
SOUTH CAROLINA**

**In Re:**

**Application of Farmers Telephone Cooperative, )  
Inc. for Approval to Increase Depreciation of a )  
Portion of its EWSD Central Office Switches )**

**DOCKET NO. 2004-110-C**

**REBUTTAL TESTIMONY OF  
JEFFREY L. LAWRIK  
ON BEHALF OF  
FARMERS TELEPHONE COOPERATIVE, INC.**

**June 29, 2004**

**REBUTTAL TESTIMONY**

**OF**

**JEFFREY L. LAWRIKORE**

**ON BEHALF OF**

**FARMERS TELEPHONE COOPERATIVE, INC.**

**DOCKET NO. 2004-110-C**

**Q. PLEASE STATE YOUR NAME.**

**A. My name is Jeffrey L. Lawrimore.**

**Q. ARE YOU THE SAME JEFFREY L. LAWRIKORE THAT PRE-FILED DIRECT TESTIMONY IN THIS PROCEEDING?**

**A. Yes.**

**Q. DO YOU REAFFIRM THAT TESTIMONY HEREIN?**

**A. Yes.**

**Q. HAVE YOU REVIEWED THE TESTIMONY OF ALLEN E. BUCKALEW OFFERED ON BEHALF OF THE S.C. DEPARTMENT OF CONSUMER AFFAIRS?**

**A. Yes.**

**Q. FOR WHAT PURPOSE DO YOU SUBMIT THIS TESTIMONY?**

**A. I am offering this testimony as rebuttal and in response to the testimony of Mr. Buckalew.**

**Q. WOULD YOU PLEASE COMMENT ON THE DEPLOYMENT ISSUES RAISED BY MR. BUCKALEW IN HIS TESTIMONY FILED IN THESE PROCEEDINGS.**

**A. Yes. The decision by FTC to move to soft switching was based on its judgment that a soft switch platform has efficiencies which will best serve the needs of its subscribers. The current Siemens switching equipment provided subscribers with the state of the art platform at that time, but we believe that soft switch deployment now will enhance the digital efficiencies and better serve FTC subscribers.**

1     **Q.     WHAT IS THE EFFECTIVE OVERALL RATE OF DEPRECIATION IF FTC'S**  
2     **REQUEST IS GRANTED?**

3     A.     In previous testimony I stated that the Cooperative wished to remove the balance of these  
4     assets within four years. This does not result in a 25% depreciation rate overall. When  
5     considered over the entire investment in these assets, the request increases the  
6     depreciation rate to 15.3% annually. To the extent my previous testimony inferred that  
7     FTC's request would result in a 25 percent depreciation rate, I would like to so amend my  
8     testimony. My previous testimony was in response to a question whether a depreciation  
9     rate of 25 percent was appropriate. While my response was correct and remains my  
10    testimony in substance, it may be inferred that I was confirming a rate of 25 percent  
11    which is incorrect as FTC's request will only increase the depreciation rate to 15.3  
12    percent annually.

13    **Q.     WHAT BENEFITS DO YOU SEE WILL ACCRUE TO FTC SUBSCRIBERS?**

14    A.     In previous testimony I outlined cost savings that could materialize through the  
15    deployment of a soft switch.  
16    In Mr. Buckalew's testimony, he commented that packet switching is not necessary for  
17    today's voice network, which may be true but necessity isn't the only consideration. We  
18    believe that the Coop should seek ways to provide competitive quality service in the most  
19    efficient manner and we believe soft switching is the technology of choice to best  
20    accomplish this goal.

21    The future of telecommunications will be comprised of highly competitive companies  
22    and FTC believes that soft switches will be part of that future. It needs to prepare now to  
23    allow for proper deployment and workforce training.

24    **Q.     WILL THE ACCELERATED DEPRECIATION RATE ADVERSELY AFFECT**  
25    **RATE PAYERS THROUGH ADDITIONAL DEMANDS ON UNIVERSAL**

**SERVICE FUNDING?**

A. As already stipulated in the reply comments to the SCCTA, this request will have no effect on the State USF under Step 1 of Phase 1. FTC will stipulate that this additional depreciation be recalculated at the currently approved 8% depreciation rate for any State USF proceedings that occur in the next four years. In this manner State USF will not be impacted.

As far as the additional annual Federal USF payment of \$211,921.00, it must be noted that this is an acceleration of support and not an increase in support. If this request for accelerated depreciation is granted, the impact to Federal USF would be an increase for a 4 year period. At the end of the 4 years, depreciation expense for FTC would drop resulting in a decrease in the required Federal USF support. This is a timing issue; FTC is not going to receive one penny more than it would if this request is not granted.

FTC does not want, and will not allow, this request to impact the rates of current customers. The only financial impact is the acceleration of \$847,684 in Federal USF. These funds will be spread across millions of access lines across the United States over a 4 year period of time and then go away.

Finally, the current customers will be responsible for the accelerated depreciation while the Siemens platform is still in place. However, if the Siemens switches are not fully depreciated before they become obsolete, future rate payers may be held responsible for an investment that they are not using.

**Q. IN YOUR OPINION, SHOULD FTC'S REQUEST BE APPROVED?**

A. Yes.

**Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

A. Yes.

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**CERTIFICATE OF SERVICE**

This is to certify that I, Patricia J. Thompson, Secretary with Schwartz, McLeod, DuRant & Jordan, do hereby certify that I have this date served one (1) copy of Rebuttal Testimony of Jeffrey L. Lawrimore in the above-captioned action to the persons named below by causing said copies to be deposited in the United States Postal Service, postage prepaid and affixed thereto this 29th day of June, 2004, addressed as follows and to be served this 29th day of June 2004 via facsimile as set out below:

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PATRICIA J. THOMPSON